

# Illinois Insurance

Published by the Illinois Department of Insurance

April 2004—#2

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**Illinois Insurance** is the official regulatory newsletter of the Illinois Department of Insurance, 320 West Washington Street, Springfield, IL 62767-0001; (217) 782-4515; TDD (217) 524-4872.

The newsletter is published bimonthly, and is mailed free of charge upon written request to the Editor. **Illinois Insurance** is also available on the Department's web site at: [www.ins.state.il.us](http://www.ins.state.il.us)

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Illinois Insurance ISSN 0094-7660

## Health service discount plans required to register with Department

Faced with escalating health care costs, a sluggish economy and an ever-expanding number of benefit mandates, employers are seeking innovative and cost effective methods of providing health care coverage to their employees. In the 80's, the answer appeared to be found in HMOs; in the 90's, point-of-service plans and medical service accounts; at the turn of the century, it was consumer choice products. Now, more and more employers, unions, associations and individuals are turning to discount programs.

These programs take many forms, but the most common are those providing health care services including: hospital, medical, pharmaceutical, dental or vision care. Individuals pay a fee to be members of a discount plan and, in turn, they are afforded access to a network of providers. The consumer then pays the provider, based upon the network's negotiated discounted rate schedule. There is no insurance coverage, and traditional provisions for coordinating benefits have no application. Any payment is made directly by the consumer to the provider and represents payment in full for the services provided.

In Illinois, the Illinois General Assembly has defined a preferred provider program administrator (PPA) as including health care

discount plans. Specific to discount programs, a PPA includes any person, partnership or corporation that arranges, contracts with, or administers contracts with a provider whereby beneficiaries are provided an incentive to use the services of such provider. The Act goes on to define "beneficiaries" as individuals entitled to reimbursement for expenses of or the discount of provider fees for health care services under a program where the beneficiary has an incentive to utilize the services of a provider which has entered into an agreement or arrangement with an administrator (215 ILCS 5/370 (g)). As a preferred provider program administrator, applicants are required to pay a \$250 registration fee (\$150 for renewals) and provide the Department with certain information about their officers, directors, corporate structure, network, service area, and the number of Illinois members.

With increasing frequency, Illinois employers and residents have been inundated with solicitations from these discount plans by e-mail, fax, radio, and television ads all purporting to offer access to affordable health care. It has been the Department's experience that the majority of these solicitations are conducted

**plans (cont'd on page 2)**

**plans (cont'd from pg. 1)**

by intermediaries who claim they have access to provider networks already registered as Illinois preferred provider program administrators. It is when these intermediaries offer access to one or more of these networks, and market such networks as their own (known as private labeling) that the Department deems such intermediary activity to be that of a preferred provider administrator. Specifically, these marketing intermediaries are arranging, contracting with, or administering contracts with providers, and beneficiaries are provided an incentive to use the services of such providers.

Many times, discount plans are nothing more than a series of agreements with unaffiliated service providers. The public image of a corporate headquarters with personnel dedicated to serving the needs of members is often an illusion created by an internet site, radio and television ads. Frequently,

consumers have little or no ability to call to make inquiries, resolve complaints, or access participating provider lists. As quickly as a discount plan appears, it can disappear along with its web site, which often is the only point of access offered to consumers.

It is the intent of the Illinois Department of Insurance to pursue unregistered discount health care plans and entities that, by providing access to legitimate networks, facilitate such unauthorized discount plans. The Department expects insurers, HMOs and registered preferred provider administrators that rent their networks to private-label plans to conduct appropriate due diligence to ensure that private-label marketers of discounted health care networks have obtained the appropriate authority to offer a preferred provider network by registering with the Department. If entities rent networks to an intermediary without taking reasonable steps to ensure that the intermediary is appropriately registered or is seeking registration as an Illinois PPA, the Department will

take appropriate action. Specifically, any insurer, HMO or registered preferred provider administrator that rents its network to an unregistered intermediary may be found to be conducting business in a manner that is hazardous to the residents of Illinois, or engaged in a course of business which facilitates individuals engaging in unlawful acts and practices. All such violations will be addressed through Article XXIV of the Insurance Code (215 ILCS 5/401 et seq.).

The defense that discounted health care plans are not insurance and that the Department has no jurisdiction over their activities is shortsighted and inaccurate. The business of establishing a discounted provider network and marketing such network to Illinois residents is statutorily defined as the business of insurance and subject to the regulatory oversight of the Director of Insurance.

Questions may be directed to the attention of Dave Grant at 217/782-6363 or at [dave\\_grant@ins.state.il.us](mailto:dave_grant@ins.state.il.us). ♦

## **Department rules review**

The full text of Department rules is printed in the *Illinois Register* published weekly by the Illinois Secretary of State's Index Department, 111 E. Monroe St., Springfield, IL 62756. Subscriptions are available from that source for an annual fee of \$290. Issue numbers and a Department contact person are listed below after each rule summary.

Some rules are posted on the Department's web site at **[www.ins.state.il.us](http://www.ins.state.il.us)**. Adopted rules are codified in Title 50 of the Illinois Administrative Code. For questions concerning the availability of Department rules, contact Denise Hamilton at 217/785-8560.

**Part 909** (Advertising and Sales Promotion of Life Insurance and

Annuities) was amended effective March 1, 2004, to eliminate the requirement for companies to formally file a compliance certificate. Alternately, companies will be obligated to perform the certification function themselves and to place such certification on file in-house consistent with other record keeping requirements in Part 909. (Vol 28, #11; Sara Ross)

**Part 932** (Automobile Anti-Theft Mechanisms) was updated effective February 23, 2004, to reflect simplified standards and procedures for the tiered discount rates that were established within this rule 20 years ago. Those rules required insurers to offer discounts to insureds who may have had any

one, or combination of anti-theft devices installed on their automobile either aftermarket, or by the manufacturer. Those rules had become obsolete. (Vol. 28, #10; Dale Emerson)

**Part 2002** (Advertising of Accident and Sickness Insurance) was amended effective March 1, 2004, to eliminate the requirement for companies to formally file a compliance certificate. Alternatively, companies will be obligated to perform the certification function themselves and to place such certification on file in-house. In addition, an outdated term was replaced by more preferred, current terminology. (Vol. 28, #11; Sara Ross) ♦

## Illinois Department of Insurance and U.S. Department of Labor to co-host HIPPA compliance seminar

The U.S. Department of Labor is teaming up with the Illinois Department of Insurance to bring you practical information, helpful tips, and clarification regarding Illinois and federal health benefits laws. In addition to the U.S. Department of Labor and the Illinois Department of Insurance, representatives from the U.S. Department of Health & Human Services and the Internal Revenue Service are participating in the seminar.

The seminar is open to employers, third party administrators, insurance carriers and others trying to comply with federal and Illinois state laws regarding health plans and issues. The seminar will be held June 23 and 24 at Harry Caray's Restaurant, in the upstairs

banquet facility, 33 West Kinzie Street, Chicago, IL, 312/828-0966.

To register for this seminar, please fill in the requested information below, then e-mail or fax this form to: Deborah A. Milne, Coordinator, Health Benefits Education Campaign, phone 410/990-4984; fax 410/990-4985, or you may register by *e-mail* at: milne.deborah@dol.gov.

The seminar is being coordinated through the Amalfi Hotel Chicago, which will hold a block of rooms at the conference rate of \$199/night only until June 1, 2004. Please call the reservation desk at 312/395-9000 and ask for the Illinois Department of Insurance conference rate. ♦

### Registration information:

<b>Name:</b>
<b>Title:</b>
<b>Address:</b>
<b>Telephone:</b>
<b>Fax:</b>
<b>E-mail:</b>

## Exam reports filed

### Financial

All American Life Insurance Co.  
3/03/04  
American Service Insurance Company, Inc.  
2/06/04  
Cigna HealthCare of Illinois, Inc.  
2/06/04  
Golden Rule Insurance Company  
3/31/04  
Health Alliance Medical Plans, Inc.  
3/31/04  
Health Alliance-Midwest, Inc.  
3/31/04  
Illinois Cooperative Workers' Compensation Group  
12/17/03  
Lutheran Mutual Fire Insurance Co.  
3/17/04  
Menard County Mutual Fire Insurance Company of Petersburg, IL  
12/01/03  
National-Ben Franklin Insurance Company of Illinois  
12/18/03  
National Heritage Insurance Co.  
2/26/04  
One Health Plan of Illinois, Inc., now known as Great-West Healthcare of Illinois, Inc.  
2/25/04  
Pontiac Mutual Insurance Company  
2/06/04  
Provena Health Workers Compensation Trust  
2/06/04  
Rubicon Insurance Company  
3/04/04  
Slovenian Women's Union of America  
12/17/03  
Union Medical Center  
1/28/04  
United Insurance Company of America  
2/13/04

### Market Conduct

American Community Mutual Insurance Company  
3/02/04  
IDS Life Insurance Company  
3/02/04 ♦

## **Producer regulatory action**

(Copies of regulatory orders are available upon written request to the Producer Regulatory Unit, for \$1/page. The number of pages are indicated in parentheses following the effective date.)

<b>Stipulation and Consent Order- Civil Forfeiture Paid</b>	<b>Revocation of Producer License</b>	<b>Denial of Producer License</b>
James E. Bey 19 South Huffman Street Naperville, IL 60540 Effective 3/08/04 (3)	DenRay Insurance Services 10008 South Western Chicago, IL 60601 Effective 2/28/04 (5)	Isaiah T. Branch 4840 West Rice Street Chicago, IL 60651 Effective 2/24/04 (2)
James C. Grawe 240 Holiday Drive Quincy, IL 62301 Effective 3/03/04 (3)	Timothy J. Dowd 2845 North Lewis Waukegan, IL 60087 Effective 3/09/04 (3)	John P. Golat 161 South Ellis Bensenville, IL 60106 Effective 3/24/04 (2)
Mark W. Miller 115 East Main Street PO Box 259 Colfax, IL 61728 Effective 3/08/04 (3)	Roger A. Householder 1119 South Greenwood Avenue Park Ridge, IL 60068 Effective 3/24/04 (3)	Theodore Scott 1610 32 <sup>nd</sup> Street Rock Island, IL 61201 Effective 3/08/04 (2)
Patrick E. Threlkeld 3908 Little Rock Lane Belleville, IL 62220 Effective 2/26/04 (4)	Eugene O. Joseph 7628 South Drexel Avenue, #1b Chicago, IL 60619 Effective 2/25/04 (10)	Frank O. Tartaglia 115 Broadway Rockford, IL 61104 Effective 2/15/04 (2)
Timpe Insurance Agency, Inc. 214 North 6 <sup>th</sup> Street Quincy, IL 62301 Effective 3/03/04 (3)	Michael F. Napadow 129 Canterfield Parkway West West Dundee, IL 60118 Effective 3/24/04 (3)	Jose L. Torres 1701 South 1 <sup>st</sup> Avenue 12 <sup>th</sup> Floor Maywood, IL 60153 Effective 3/01/04 (2)
Urbasek Insurance Agency, Inc. 1301 North Broadway Joliet, IL 60435 Effective 3/25/04 (4)	Nations Hazard Insurance Agency 129 Canterfield Parkway West West Dundee, IL 60118 Effective 3/24/04 (3)	Sandra Willis 4000 134 <sup>th</sup> Street, #320 Chicago, IL 60633 Effective 2/18/04 (2)
Kathleen Urbasek 205 South Raynor Joliet, IL 60436 Effective 3/25/04 (4)	Stephen C. Napadow 10 Tuileries Park Place Elgin, IL 60123 Effective 3/09/04 (2)	<b>Voluntary Revocation</b>
Zeiler Insurance, Inc. 12159 South Pulaski Road Alsip, IL 60658 Effective 1/06/04 (5)	Dennis Raimo 16561 Apache Drive Lockport, IL 60441 Effective 2/28/04 (5)	Frederick Crosby 8530 South Euclid Chicago, IL 60617 Effective 3/12/04 (2)
John K. Zeiler 3660 East 106 <sup>th</sup> Street Chicago, IL 60617 Effective 1/06/04 (5)	Lemuel Williams 4315 South Vincennes Street Chicago, IL 60653 Effective 2/15/04 (2)	Richard C. Duzan 902 South 6 <sup>th</sup> Street Marshall, IL 62441 Effective 3/22/04 (1)
		Brent J. Sebben 940 North Prairie Street Galesburg, IL 61401 Effective 1/29/04 (1)

**Suspensions**

Edward P. Haley, Jr.  
13000 Heiden Circle, Unit 3407  
Lake Bluff, IL 60044  
Effective 3/09/04 (2)

Allan M. Olbur  
621 Essington Lane  
Buffalo Grove, IL 60089  
Effective 3/09/04 (2)

Robert A. Segovia  
8820 Bronx Street  
Skokie, IL 60077  
Effective 3/08/04 (2)

Jerome J. Weiland  
608 Pineland Avenue  
Bellair, FL 33756  
Effective 3/09/04 (2)

**Suspension Lifted**

Paul Gillham  
14737 Garden Land Drive  
Chillicothe, IL 61523  
Effective 2/05/04 (1)

Andrew M. Haley  
191 Zellinger Lane  
Antioch, IL 60002  
Effective 1/30/04 (1)

Darryl A. Johnson  
16845 School Street  
South Holland, IL 60473  
Effective 2/20/04 (1)

Jonathan J. Ramos  
10409 Dearlove Road, A-2  
Glenview, IL 60025  
Effective 3/22/04 (1)

**Director's Order**

Heidi M. Newman  
120 North York Street  
Elmhurst, IL 60126  
Effective 2/13/04 (11)♦

**Hearings****Scheduled Hearings:**

The Administrative Employer  
Group, Inc.  
Hearing No. 04-HR-0070  
Revocation of leasing company  
license 4/28/04

Michael F. Bock  
Hearing No. 04-HR-0187  
Revocation of licensing authority  
5/05/04

Morton Chandler  
Hearing No. 04-HR-0150  
Revocation of licensing authority  
5/11/04

Henry Fleming, Sr.  
Hearing No. 04-HR-0102  
Revocation of licensing authority  
5/04/04

Jeffrey D. Lamm  
Hearing No. 04-HR-0083  
Revocation of licensing authority  
4/15/04

Curtis D. Mase  
Hearing No. 04-HR-0242  
Revocation of licensing authority  
4/27/04

Peoplease Corporation  
Hearing No. 4124  
Suspension of licensing authority  
4/20/04

Samuel J. Trigillo  
Hearing No. 04-HR-0029  
Revocation of licensing authority  
4/14/04

United Security Life Insurance  
Company of Illinois  
Hearing No. 04-HR-0022  
Form A 6/01/04

**Completed Hearings:**

Employers Mutual L.L.C.  
Hearing No. 3870  
Cease and desist made  
permanent 2/10/04

Dennis L. Hartwig  
Hearing No. 4093  
Request for license denied  
4/05/04

Darren J. Huffman  
Madison Mutual Insurance Co.  
Hearing No. 04-HR-0073  
Cancellation reversed 3/09/04

Eugene O. Joseph  
Hearing No. 4074  
Licensing authority revoked  
2/25/04

Heidi M. Newman  
Hearing No. 4069  
Revocation of licensing authority  
rescinded; civil penalty of \$250  
2/13/04

Transpacific International  
Insurance Company Ltd.  
Hearing No. 4111  
Cease and desist order previously  
issued affirmed 4/05/04

**Settled Without Hearing:**

Isaiah T. Branch  
Hearing No. 04-HR-0006  
Dismissed 2/24/04

Darren W. Kesselring  
Hearing No. 4116  
Dismissed 2/24/04

James W. Pendleton  
Hearing No. 4118  
Dismissed 3/15/04♦

## Flood insurance seminars scheduled

The National Flood Insurance Program and the Illinois FAIR Plan Association are offering seminars for Illinois insurance producers on the following dates. Individuals can earn seven (7) continuing education hours for completing both courses.

### Dates and Locations for 2004

Springfield . . . . . May 18  
Belleville . . . . . May 19  
Bourbonnais . . . . . May 20  
Schaumburg . . . . . May 25  
Naperville/Lisle . . . . May 26

### Registration Fees & Agenda

Flood Seminar-\$35 (4 CE hrs):  
Registration 8:00 am-8:30 am  
Seminar 8:30 am-12:30 pm

FAIR Plan Seminar-\$25 (3 CE hrs):  
Registration 1:00 pm-1:30 pm  
Seminar 1:30 pm-4:30 pm

Both seminars, same day-\$50

For registration, directions or more information, contact the Professional Independent Insurance Agents of Illinois at 217/793-6660, fax 217/793-6744, or check their web site at: **[www.piaai.org](http://www.piaai.org)**.

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